

Communications; health agency. A nonprofit organization conducting programs of research, public information and education, and professional education and training with respect to a specific disease but not with the principal purpose of providing medical or hospital care does not qualify for the exemption from communications tax provided by section 4253(h) of the Code.

Advice has been requested whether the excise tax exemption, under section 4253(h) of the Internal Revenue Code of 1954, for 'nonprofit hospitals' applies to amounts paid for communication services furnished to an organization under the circumstances described below.

A nonprofit organization exempt from Federal income tax under the provisions of section 501(a) of the Code as an organization described in section 501(c)(3) is a voluntary health agency seeking the answer to the cause, prevention, and cure of a major crippling disease. It exists to help the millions of sufferers of the disease and to assist their doctors. In furthering this purpose the organization conducts programs of research, patient services, public health information and education, and professional education and training. Its local chapters throughout the country serve as information and referral centers concerning the disease and available community services. They distribute literature and sponsor forums and lectures to keep patients and physicians aware of the latest development in research and treatment. The chapters support a wide variety of community services, including clinics, medical investigators and clinical research centers.

Section 4251 of the Code imposes a tax on amounts paid for local telephone service, toll telephone service, and teletypewriter exchange service.

Section 4253(h) of the Code provides that no tax shall be imposed under section 4251 on any amount paid by a nonprofit hospital for communications services furnished to such organization. For purposes of section 4253(h), the term nonprofit hospital means a hospital referred to in section 170(b)(1)(A)(iii) which is exempt from income tax under section 501(a).

Section 170(b)(1)(A)(iii) of the Code, for purposes of the deduction for charitable contributions to certain organizations, relates (in part) to an organization the principal purpose or functions of which are the providing of medical or hospital care or medical education or medical research, if the organization is a hospital.

Section 1.170A-9(c) of the Income Tax Regulations provides that a rehabilitation institution or an outpatient clinic may qualify as a hospital if its principal purpose or function is the providing of hospital or medical care.

The organization does not come within the scope of section 170(b)(1)(A)(iii) of the Code because it is not a hospital nor is its principal purpose or function the providing of medical or hospital care to patients. Accordingly, the organization does not qualify for the exemption provided by section 4253(h) with respect to the tax imposed by section 4251 on amounts paid for communications service.